



# The Commonwealth of Massachusetts

## AUDITOR OF THE COMMONWEALTH

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**INDEPENDENT STATE AUDITOR'S REPORT  
ON CERTAIN ACTIVITIES OF THE  
BARNSTABLE HOUSING AUTHORITY  
JANUARY 1, 2006 TO APRIL 30, 2008**

**OFFICIAL AUDIT  
REPORT  
JANUARY 23, 2009**

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### INTRODUCTION

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In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor has conducted an audit of certain activities of the Barnstable Housing Authority for the period January 1, 2006 to April 30, 2008. The objectives of our audit were to assess the adequacy of the Authority's management control system for measuring, reporting, and monitoring the effectiveness of its programs, and to evaluate its compliance with laws, rules, and regulations applicable to each program. In addition, we reviewed the Authority's progress in addressing the conditions noted in our prior audit report (2006-0606-3A).

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, during the 28-month period ended April 30, 2008, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

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### AUDIT RESULTS

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#### 1. STATUS OF PRIOR AUDIT RESULTS

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Our prior audit (2006-0606-3A) of the Barnstable Housing Authority, which covered the period of July 1, 2003 to June 30, 2005, disclosed several instances of noncompliance with Chapter II of the State Sanitary Code and the Department of Housing and Community Development's (DHCD) Property Maintenance Guide. Specifically, the previous audit disclosed that the Authority was a) noncompliant with the State Sanitary Code, b) did not receive funding for modernization requests from DHCD, c) was not reoccupying vacant housing units within DHCD guidelines, and (d) had 10 parcels of land on which it could build additional affordable housing. Our follow-up audit disclosed that the Authority has taken action to address the prior Audit Results, as discussed below.

##### **a. Results of Inspections - Compliance with State Sanitary Code**

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DHCD's Property Maintenance Guide, Chapter 3(F), requires that inspections of dwelling units be conducted annually and upon each vacancy to ensure that every dwelling unit conforms to minimum standards for safe, decent, and sanitary housing as set forth in Chapter II of the State Sanitary Code. Our prior audit disclosed 163 instances of noncompliance with the State Sanitary Code, including windows in need of repair, worn floors, cracking foundations, holes in pavement, worn roof shingles, mold, peeling paint, water stains, and insect infestation. Our follow-up review determined that the Authority has taken corrective action to address these instances of noncompliance.

##### **b. Modernization Initiatives Funded**

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Our prior audit found that the Authority requested modernization funding from DHCD for capital modernization projects in its 667-1 Elderly and 705-1 and 705-2 Family developments; however, these requests were not funded by DHCD. Deferring or denying the Authority's modernization needs will result in further deteriorating

conditions that could render the units and buildings uninhabitable. Our follow-up review revealed that the Authority had since submitted emergency funding requests and DHCD Capital Improvement Plans under the new Capital Planning System and was subsequently awarded funding for roofing, siding, and paving.

**c. Occupancy of Vacant Units**

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Our prior audit found the Authority's average turnaround time for reoccupying vacant units was 55 days. Our follow-up review disclosed that the Authority has reduced its average turnaround time for reoccupying vacant units to 25 working days; this average includes two low-income family units that required 235 additional working days to reoccupy due to extensive tenant damage and the lack of DHCD funding. Additionally, a tenant abandoned the unit without notification, resulting in 40 additional days of vacancy.

**d. Availability of Land to Build Affordable Housing Units**

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**4**

Our prior audit found that the Authority owned 10 parcels of land on which to build affordable housing. However, the parcels either abut conservation land, contain wetlands, or are subject to other use restrictions. The Authority indicated that, if it can resolve any of these restrictions, it will seek Community Preservation Funds and Massachusetts Housing Partnership funding in order to develop affordable housing on these properties. Our follow-up review revealed that the Authority is planning to negotiate an exchange with another Town of Barnstable agency for two of the parcels of land they currently own in return for another parcel with potentially less restrictive conditions.

## INTRODUCTION

### *Audit Scope, Objectives, and Methodology*

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor has conducted an audit of certain activities of the Barnstable Housing Authority for the period January 1, 2006 to April 30, 2008. The objectives of our audit were to assess the adequacy of the Authority's management control system for measuring, reporting, and monitoring the effectiveness of its programs, and to evaluate its compliance with laws, rules, and regulations applicable to each program.

Our audit was conducted in accordance with applicable generally accepted government auditing standards for performance audits and, accordingly, included such audit tests and procedures as we considered necessary.

To achieve our audit objectives, we reviewed the following:

- Tenant-selection procedures to verify that tenants were selected in accordance with Department of Housing and Community Development (DHCD) regulations.
- Vacancy records to determine whether the Authority adhered to DHCD procedures for preparing and filling vacant housing units.
- Annual rent-determination procedures to verify that rents were calculated properly and in accordance with DHCD regulations.
- Accounts receivable procedures to ensure that rent collections were timely and that uncollectible tenant accounts receivable balances were written off properly.
- Site-inspection procedures and records to verify compliance with DHCD inspection requirements and that selected housing units were in safe and sanitary condition.
- Procedures for making payments to employees for salaries, travel, and fringe benefits to verify compliance with established rules and regulations.
- Property and equipment inventory-control procedures to determine whether the Authority properly protected and maintained its resources in compliance with DHCD requirements.
- Contract procurement procedures and records to verify compliance with public bidding laws and DHCD requirements for awarding contracts.

- Cash management and investment policies and practices to verify that the Authority maximized its interest income and that its deposits were fully insured.
- DHCD-approved operating budgets for the fiscal year in comparison with actual expenditures to determine whether line-item and total amounts by housing program were within budgetary limits and whether required fiscal reports were submitted to DHCD in a complete, accurate, and timely manner.
- Operating reserve accounts to verify that the Authority's reserves fell within DHCD provisions for maximum and minimum allowable amounts and to verify the level of need for operating subsidies to determine whether the amount earned was consistent with the amount received from DHCD.
- The Authority's progress in addressing the issues noted in our prior report (No. 2006-0606-3A).

Based on our review, we have concluded that, except for the issues discussed in the Audit Results section of this report, during the 28-month period ended April 30, 2008, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

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## AUDIT RESULTS

### 1. STATUS OF PRIOR AUDIT RESULTS

Our prior audit (No. 2006-0606-3A) of the Barnstable Housing Authority, which covered the period July 1, 2003 to June 30, 2005, disclosed several instances of noncompliance with Chapter II of the State Sanitary Code and the Department of Housing and Community Development's (DHCD) Property Maintenance Guide. Specifically, the previous audit disclosed that the Authority a) was noncompliant with the State Sanitary Code, b) did not receive funding for modernization requests from DHCD, c) was not reoccupying vacant housing units within DHCD guidelines, and (d) had 10 parcels of land on which to build affordable housing. Our follow-up audit disclosed that the Authority has taken action to address the prior Audit Results, as discussed below.

#### a. Results of Inspections - Compliance with State Sanitary Code

DHCD's Property Maintenance Guide, Chapter 3(F), requires that inspections of dwelling units be conducted annually and upon each vacancy to ensure that every dwelling unit conforms to minimum standards for safe, decent, and sanitary housing as set forth in Chapter II of the State Sanitary Code. Our prior audit disclosed 163 instances of noncompliance with the State Sanitary Code, including windows in need of repair, worn floors, cracking foundations, holes in pavement, worn roof shingles, mold, peeling paint, water stains, and insect infestation. Our follow-up review determined that the Authority has taken corrective action to address these instances of noncompliance. Funding for repairs at the low-income family property at 163 Seabrook Road, which has been reviewed by DHCD engineers and is estimated to cost in excess of \$40,000 to repair and renovate, was denied, since DHCD does not consider it an emergency and declared it off-line as of the end of our audit period. Also, funding to repair corroding wrought iron railings at two elderly complexes is under DHCD architectural review.

#### b. Modernization Initiatives Funded

Our prior audit found that the Authority requested modernization funding from DHCD for capital modernization projects in its 667-1 Elderly and 705-1 and 705-2 Family developments; however, these requests were not funded by DHCD. Deferring or denying the Authority's modernization needs may result in further deteriorating conditions that could render the units and buildings uninhabitable. Moreover, if the Authority does not receive funding to correct these conditions (which have been reported to DHCD), additional emergency situations may

occur, and the Authority's ability to provide safe, decent, and sanitary housing for its elderly and family tenants could be seriously compromised. Our follow-up review revealed that the Authority had submitted emergency funding requests and DHCD Capital Improvement Plans (CIP) under the new Capital Planning System and was subsequently awarded CIP funding for roofing, windows, siding, and paving.

**c. Occupancy of Vacant Units**

Our prior audit found the Authority's average turnaround time for reoccupying vacant units was 55 days. Our follow-up review disclosed that the Authority has reduced its average turnaround time for reoccupying vacant units to 25 working days; this average includes two low-income family units that required a total of 235 additional working days to reoccupy due to extensive damage and a lack of DHCD funding. Additionally, a tenant abandoned the unit without notification, resulting in 40 additional days of vacancy.

**d. Availability of Land to Build Affordable Housing Units**

Our prior audit found that the Authority owned 10 parcels of land on which to build affordable housing. However, the parcels either abut conservation land, contain wetlands, or are subject to other use restrictions. The Authority indicated that, if it can resolve any of these restrictions, it will seek Community Preservation Funds and Massachusetts Housing Partnership funding in order to develop affordable housing on these properties. Our follow-up review revealed that the Authority is planning to negotiate an exchange with another Town of Barnstable agency for two of the parcels of land they currently own in return for another parcel with potentially less restrictive conditions.